SECRET [redacted]

[redacted]

23 February 1978

(Mrs Tkach)

Dear [redacted]

1.5(c)
b1,b
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Since my last letter three major events impacting directly or indirectly on the USG have occupied center stage on the Chilean scene:

a. Argentina rejected the binding international arbitration by the Queen of England that awarded three islands in the Beagle Channel to Chile and commenced naval maneuvers in the disputed area in an effort to intimidate Chile. Although Chile has justice on her side, she is mindful of Argentine military superiority and the threat to her northern border from Peru. Therefore Chile is prudently taking the initiative in attempting to negotiate a settlement with Argentina with respect to the jurisdictional limits south of the Beagle Channel--the real bone of contention.

b. On 4 January President Pinochet held a plebescite concerning the December UN General Assembly resolution (co-sponsored by the USG) condemning Chile for human rights violations. The impressive 75% vote of confidence that Pinochet received in what appears to have been an honest election--albeit with a "loaded" question--has strengthened his hand considerably and will probably make him less responsive to international pressure. While nationalism and the blatant hypocrisy of the UN were factors in the vote, it confirmed other indicators that this military government is popular with the majority of Chileans. Although this may seem incredible to some in view of its international image and Chile's democratic traditions, it is a fact that our policy makers should not ignore. I attribute its popularity to the following factors: (1) most Chileans have not yet recovered from the trauma of the Allende period; thus, they prefer the order and tranquility of this regime to the uncertainty of a democratically elected leader; (2) the regime's economic policies have been dramatically successful; the rate of inflation, which topped 1100% during Allende's last year, had dropped to 63.5% by 1977 and is programmed to be cut to half that figure this year; GNP is rising steadily, Chile now has a top credit rating with international banks, and new foreign investment is beginning to come in; and (3) the human rights situation in Chile bears little resemblance to the image abroad; Chileans are aware of this.

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APPROVED FOR RELEASE
SEP 1999

SECRET [redacted]

c. The investigation of the 18-month old Letelier assassination in Washington is heading toward a climax, with the USG and Chile apparently on a collision course unless the latter decides to be forthcoming in producing information concerning two Chilean suspects in the case. The letters rogatory issued by the USG made front-page headlines in today's local press. [redacted]

1.5(c) b1, b3 S

[redacted] NR

Sincerely,

[redacted]